EXECUTIVE SUMMARY

PURPOSE

To determine if incorrect Medicare payments are being made for durable medical equipment services billed to Medicare Part B during a skilled nursing facility stay.

BACKGROUND

Federal law states that durable medical equipment (DME) may only be billed to Part B of the Medicare program if the equipment is provided in the beneficiary's residence. However, the law specifies that a skilled nursing facility cannot be considered a residence. For this reason, equipment billed to Part B during a beneficiary stay in such a facility is incorrectly paid.

Four regional carriers, called Durable Medical Equipment Regional Carriers, now process claims for durable medical equipment and other items covered under Part B of Medicare. Establishing these carriers provides an opportunity to develop guidelines that address equipment abuses or program weaknesses. Examining equipment billed during a skilled nursing facility stay, at this time, provides an opportunity to develop a baseline for future comparison of these carriers' effectiveness.

For this evaluation, data were obtained from a one-percent sample from the Common Working File database. All part B durable medical equipment services, for all beneficiaries identified as having a skilled nursing facility stay during 1991, were included in the sample. An analysis of information on the 1022 items of equipment contained in the sample, and obtained from the carrier, was completed. Similar information was obtained from the 1992 data base, although the major focus of this report is 1991.

FINDINGS

Approximately $8.9 million in 1991 and $10.8 million in 1992 was incorrectly allowed for durable medical equipment billed during skilled stays.

The inability of the suppliers and carriers to accurately determine the beneficiary's location during a skilled stay, leads to incorrectly paid equipment claims.

- *Ninety-nine percent of durable medical equipment bills, submitted by suppliers for patients in skilled nursing facilities, represent the location as "home" or "other."*

- *There is some evidence that differences exist in screening activities used by "high charge" and other carriers to detect incorrect DME billing.*

Most incorrect equipment billings during a skilled stay represent items prescribed for use prior to, or after, a skilled stay. A review of certificates of medical necessity was undertaken. This review indicated 77 percent of the items billed represented continued billings for previously prescribed items or new prescriptions for use after discharge.

Approximately half of the patients in our sample were not discharged to their homes, meaning incorrect payments for equipment might continue. Incorrect billing for equipment may continue for some time after the skilled stay. This may occur due to the patient's receiving care in a non-residential setting after discharge.

RECOMMENDATIONS

We recommend that HCFA take action in the following areas to minimize the opportunity for incorrect Durable Medical Equipment payments.

Improve the place of service coding system. The HCFA could:

- Utilize data from the Statistical Analysis DME regional carrier to identify and review suppliers who consistently use the "other" place of service category, and take appropriate actions based on the reviews.
- Disseminate materials which indicate the limited circumstances under which "other" may be appropriately used to bill DME.
- Educate the four new Durable Medical Equipment Regional Carriers (DMERCS) on the accurate use of place of service codes.
- Require the new carriers to provide on-going education to the suppliers on the accurate use of place of service codes.
- Suggest that the new carriers develop an item for inclusion in their database, that is transmitted to the Common Working File, to provide a continuing history of the patient's location.

Improve the supplier knowledge of beneficiary location. The HCFA could:

- Ensure that the four new carriers instruct suppliers of their responsibility for determining the beneficiary location, before billing Part B equipment.
- Ensure that the DMERCs undertake sample reviews of suppliers claims and exchange their findings with the other DMERCs, so that all can take appropriate action on the supplier's claims.

Review the Durable Medical Equipment Regional Carriers processes. The HCFA could:

- Assess the effectiveness of the new Common Working File edit of Part B equipment and skilled nursing facility charges, and evaluate whether additional edits should be developed to review all skilled stay bills, upon submission, for overlap with durable medical equipment billing.
- Encourage the DMERCs to examine this problem. The OIG, in collaboration with HCFA, may also review this area in the future to examine the impact of implementing the new DMERC processes.

AGENCY COMMENTS

We solicited and received comments from the Health Care Financing Administration (HCFA) on our draft report.

The HCFA concurred with the intent of our three recommendations. In addition, they suggested alternative steps that could also be taken to achieve the intent of our recommendations. We have incorporated the suggestions proposed by HCFA in the listing of options presented in our recommendations.

See Appendix B for the full text of the HCFA comments.